

NATIONAL DIRECT STUDENT LOAN COALITION

July 20, 2009

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Congressman George Miller
Chair, Education and Labor Committee
2205 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Miller,

The National Direct Student Loan Coalition, a grass roots organization of financial aid professionals, congratulates you and your colleagues on House Education and Labor Committee on its action to support President Obama's budget proposals by introducing the Student Aid and Fiscal Responsibility Act. The neediest students will benefit from the historic increases in the Pell Grant Program made possible by the provisions of this legislation. All students will benefit from a student loan delivery system that is simpler, more efficient and more cost effective. We are pleased that the transition to direct lending is making funds available to provide increased assistance for students.

Though some may view the adoption of a single loan delivery as too bold a step, we are confident that it is the correct course for students, institutions and taxpayers. The Department of Education has demonstrated its ability to administer the Federal Direct Loan program, to assist schools transitioning to the program and to prepare for the transition of all schools to the program. We are confident that the Department can manage this transition and continue to provide a secure and efficient federal loan program for all borrowers.

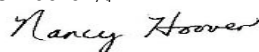
We are also confident that schools can make the transition to the Direct Loan Program by July 1, 2010 with minimum cost and effort. Schools that have transitioned during the last year have reported overwhelmingly that the transition was easier than expected. Our Coalition will continue to work with the Department and our colleagues to offer assistance and advice as schools make this transition.

The current model for borrower services in the Federal Direct Loan program has consistently provided a lower cohort default rate than exists in the Federal Family Education Loan Program. We know that a borrower's experience in loan servicing and repayment is key to successful retirement of the debt and a fiscally sound federal education loan program. Servicing and collection processes should be identical for all borrowers. To that end, we suggest that all entities considered for this role, whether private or public non-profit, be subject to the same exacting standards to obtain a contract and identical performance measures for compensation and contract renewal. It is important that the Department be provided adequate resources to oversee and manage the additional contracts with state and non-profit entities required in the bill. Borrower success and program integrity should not be jeopardized by the additional complexity caused by adding a significant number of additional servicers.

We are pleased to see that \$6 billion has been provided for the Perkins loan program and that students with subsidized Stafford loans will have a better interest rate into the future. In addition, we are very pleased that the Manager's Amendment will make provision to continue the interest subsidy for graduate students.

Please accept our best wishes and heartfelt thanks for all you do for our students, assisting them in affording the higher education they so desperately want and our country needs. You may call upon any member of the NDSLC's executive board for further information, data, or clarification.

Sincerely,



Nancy Hoover
Chair